

ALEXANDER, COBURN, BURR, and CARPER; further, that there be 1 hour of debate equally divided in the usual form, no amendments be in order to the measure, the bill be subject to any applicable budget point of order, and that following the use or yielding back of time and disposition of any waivers, if necessary, the bill be read a third time and the Senate proceed to vote on passage of the bill.

The PRESIDING OFFICER. Is there objection?

Mr. HARKIN. I object.

The PRESIDING OFFICER. Objection is heard.

The Senator from Rhode Island.

#### STUDENT LOANS

Mr. REED. Mr. President, let me thank the Republican leader for cooperating. We are attempting to move forward legislation with respect to student loans. We will shortly reach July 1. At that point, the student loan rate for subsidized Stafford loans doubles from 3.4 percent to 6.8 percent. The legislation I propose would be a 1-year extension of the 3.4-percent rate, allowing students, low- and middle-income students to continue to benefit from a low interest rate.

Our core principles in advancing this 1-year extension of present law are that we believe—and I think this is shared by all of my colleagues—that talented students deserve access to a college education. They need affordable loans and Pell grants and other financial aid. We also believe interest rates should not be set any higher than necessary to protect the taxpayer and break even on the program; that it should not be a profit center for the Federal Government as it is today.

We also believe very strongly that when students take these loans out, particularly the subsidized loans, they deserve predictability. They should know how much they will have to repay. So if you are going to go for an adjustable rate, there has to be a reasonable cap. In fact, my understanding is in the history of the Federal Student Loan Program there has either been an adjustable rate with a cap or a fixed rate. We have never left students solely at the mercy of the market.

We provide subsidized loans to students because we believe we have to invest in Americans, in their talent, in their ability not only to advance their own lives but also to contribute to the greater life of America. It should not be a program that is designed to generate revenue. The reality is today, wittingly or unwittingly, this program, and indeed as would be true for the proposals that have been put on the table, is generating huge amounts of profits to the Federal Government—it has been estimated more than \$50 billion this year. We should be investing in the potential of young Americans, not looking at them as profit centers to help us reduce the deficit.

I know there have been great efforts on the part of my colleagues, sincere

efforts, thoughtful efforts by many—my colleagues Senator ALEXANDER, Senator MANCHIN, Senator KING, Senator HARKIN—chairman of the committee—Senator WARREN, Senator HAGAN, Senator FRANKEN, Senator STABENOW—to come to a long-term solution. There has been a great effort, but we are not there yet.

I think we need, frankly, at least one more year so we can sit down and do this correctly. If you look at the proposals that are out there, there is a short-run attractiveness because the rates have been configured so they look pretty low. But if you follow the rates out, within 3 or 4 years they are above the statute, the law that goes into effect on July 1. They are above the 6.8-percent rate. It is almost as if we are looking back a few years ago—not about student loans but about mortgages. There were a lot of people sitting on 5-percent fixed-rate mortgages and someone walked in and said: Have I got a deal for you. I can give you 2 years at 3 percent. It goes up, but don't worry because you can readjust it down the road and refinance it.

We found out because of many circumstances, come 2008–2009, there was no getting out. In fact, a lot of people discovered they would have been better off sticking with the fixed loan.

That is an analogy. That is not exactly on point. But if you look at all of these proposals, the arc of the increase in interest rates is going up. And, by the way, it has not fully incorporated what the Federal Reserve has already said publicly. Chairman Bernanke said it very clearly, that they are ending quantitative easing. That means one thing: Interest rates go up, and they might go up a lot faster than we even expect right now.

I think another important point which is critical is that the proposals we have seen so far have not had a cap on them, an adequate cap. There has been some discussion we do not need a cap because if you consolidate a loan there is a cap built into the consolidation program. First of all, there is a problem with that in that except for the subsidized Stafford loans, the other federally supported loans start accruing interest even while you are still in school so you are building up a big mountain of debt. When you consolidate, what you are doing, essentially, is stretching out the payments, making a longer term which adds more interest. It is like the difference between a short-term loan and a long-term loan. You end up paying a lot more interest on your house than you do on a 2- or 3-year loan on your car.

For many reasons, both technical and otherwise, we believe, particularly as we are several days from July 1, we need to go ahead and give this body the time to deliberate. Frankly, we just passed a historic piece of legislation. That was not done in the waning hours of the session. It was not done without hearings. It was not done without a lot of back and forth. It was not done

without a lot of tension on the floor. Yet we are proposing fundamental changes to our Federal Student Loan Program in the waning hours before a recess.

Mr. President, 36 Democrats and counting have joined me and Senator HAGAN to extend this lending rate for 1 more year.

We have in the past been able to come together. In fact, we adopted the 3.4-percent interest rate, fixed rate, in 2007. The vote in this Senate was 79 to 12, Republicans and Democrats saying: A good deal for students, a low interest rate.

I think we still have to look for a much better deal than has been suggested by some of the proposals. Our proposal for a one-year extension is also fiscally responsible because we are offsetting the cost of roughly about \$4.2 billion by closing a tax loophole—which I think should be closed on its own face, but it would allow us to pay for this extension for 1 year. I will remind my colleagues that a year ago we did precisely the same kind of thing.

Some would say we have not used the year well enough. But if you think about the debate we had on background checks and firearms; if you think about this historic debate on immigration; if you think about many of the other serious debates we have had, I think we have been engaged on this floor decisively. But now it is time, again, to move to this education issue and give it the full consideration students and families deserve.

I am disappointed. I am sure my colleagues who are suggesting alternative proposals are disappointed. But I am most disappointed we cannot at least tell students today: We have your back. You are going to be safe for another year, with your loans at 3.4-percent interest. And during that time, we have to fix this—and not just simply changing around interest rates but addressing how to help borrowers pay down the debt that is outstanding. It is a huge problem, a trillion dollar problem. What about the incentives for lowering the costs of college? What about other structural changes we have to make? They will unlikely be made if we somehow sort of leave here with a “fix” that ultimately, in a very short period of time, raises rates beyond the 6.8 percent and also takes off the pressure, legitimate pressure for us not just to treat one part of the problem but comprehensively deal with the issue of the cost of higher education for families.

With that, I have been asked to propose a unanimous consent.

The PRESIDING OFFICER. The Senator may proceed.

#### MORNING BUSINESS

Mr. REED. I ask unanimous consent the Senate proceed to a period of morning business until 7 p.m., with Senators permitted to speak for up to 10 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### STUDENT LOAN RATES

Mr. MANCHIN. Mr. President, if I may respond to my dear friend from Rhode Island for whom I have the utmost respect. We have a respectful difference as far as how to approach this problem and we are working through it. We really, truly, are working and we will work through it.

We had a charge a year ago to fix it, so we started working on that. The President in a timely fashion gave us a piece of legislation that had a longer term fix, 10 years. We took that and worked off that original proposal given to us by the administration, by the President, and we started working in a bipartisan manner to make this work.

With that being said, we looked at the 3.4 percent and I would say a majority of our Senate colleagues, both Democrats and Republicans, did not understand that the 3.4 percent only affected those that were subsidized loans. That is the smallest amount of loans we have out there. I think the majority of our colleagues, the majority of the people, the majority of the press thought we fixed it at 3.4 percent for everybody who had a student loan. That was not the case.

We wanted to go back and make sure if we do something we do it for everybody, because the person who has income limits and qualified for the subsidized loan, the first year they get that loan it is \$2,500; the second year it is \$3,500; the third year it is \$4,500; and the fourth year it is \$5,500. That is the maximum they can borrow. So you know what. They borrow the non-subsidized. Guess what they have been paying for the non-subsidized: 6.8. Guess what students have been paying for what we call the PLUS loans. They have been paying 7.9. But we are not hearing anything about that.

Put it in perspective as dollars. If we have a 1-year extension, as my dear colleagues have suggested, to try to fix the problem again, that will be about a \$2 billion savings of interest payments that would be put on the backs of students. That is a tremendous amount of money.

Guess what happens if we pass our bipartisan proposal. It saves \$8.8 billion, and everybody participates. Even the subsidized loan for the student who struggled the hardest and needs most of the help, they get most of the help. Not only do they get help on their subsidized loan, but they get help on their unsubsidized loan. We have looked at everything possible. We have a piece of legislation which we think not only fixes but basically repairs a broken system.

When we look at where we are today and we look at sequestering—and I have been here not quite 3 years—I have watched us kick the can down the street to where my toe is hurting. We kicked this can so much, my toe is

hurting, and it is starting to kick back.

We need to start giving the people of this great country the confidence that we can work in a functional and respectful way. Democrats, Republicans, and Independents need to come together and put our country first, put our students first, and stop playing politics.

We agreed—Democrats and Republicans—on this bipartisan bill that not \$1 should go to debt reduction. We do not believe the students trying to get an education to better and improve their quality of life, their economic condition, and the economic condition of our great country should have to be burdened with reducing the debt of this Nation. They can do that by being productive citizens. We agreed on that. That was something that was not agreed on before because there were people who wanted the surpluses to go to debt reduction.

We took out the surpluses and reduced the rate as low as humanly possible. It has been scored. We are bringing rates down. If we look at a top rate of 7.9 percent, that is going to come to 6.21 percent if they have a PLUS loan. If a student has a graduate Stafford loan, that is going to go from 6.8 percent to 5.21 percent. All the undergraduates—if it is a subsidized loan or a non-subsidized loan—will go to 3.6 percent, and that is a tremendous savings. That is the \$8.8 billion, and that is what we are asking for.

I respectfully—and I mean that—disagree with my colleagues who have signed on to a 1-year extension believing we are going to be able to come up with an agreement or a compromise that is better than what we have before us. We have worked this out with Senator CARPER from Delaware, Senator KING from Maine, myself from West Virginia, and Senator ALEXANDER from Tennessee. Those are four former Governors. We knew we had to work together because we had to make things happen immediately. At the end of the year, everything had to balance out. Senator BURR and Senator COBURN also contributed, and they understand financing as well as anybody in this body.

I say to all the students who have loans right now: Don't worry. July 1 will come. We will come back on July 9 or 10, and it will be the first order of business we will ask to bring up. Both of our bills will be our first order of business.

I assure everyone that we will come up with a compromise we can work out that will give the relief the students—those who desire an education and want to better their lives will have that opportunity and be able to have stability and not have the increased rate passed on because we will make this retroactive.

With that, I yield the floor.

The PRESIDING OFFICER (Mr. COWAN). The Senator from Maine.

Mr. KING. Mr. President, I don't have a great deal to add to Senator

MANCHIN's comments except to point out that everyone in this body wants to do best by our students. Everyone understands the importance of education, everyone understands how expensive it is, and everyone understands the problem of the debt burden on our students. We are all trying to search for a solution that can garner bipartisan support and pass the Senate, the House, and go to the President.

The proposal we have put forward before the body today is based upon, in many ways, the proposal made by the President in his budget. It is similar to a provision that has already passed the House. I think a couple of points should be made. One point that should be made is there is a lot of talk about a floating rate. I think people think of mortgages and adjustable rate mortgages where the rate changes from year to year.

Under our proposal, once a student takes out a loan in a given year, at whatever the rate is that year, that rate is fixed for the life of the loan. The following year, if interest rates—and we are talking about the 10-year Treasury bill of the U.S. Government, one of the lowest interest rates there is—go up, then it would go up. That is for next year's loan, not for the loan that has already been taken out.

I think we have learned from our current circumstance the folly of Congress trying to set interest rates. Setting 6.8 percent and 3.4 percent interest rates 5 or 6 years ago looked like a great deal. Today it is generating billions of dollars to the Treasury on the backs of our students.

So I think our solution is a common-sense solution, and that is to base the interest rate for the students at the lowest available rate to virtually anybody in our society, which would be the 10-year Treasury bill, plus 1.85 percent, which protects the Treasury from the costs of administering the program and the risks inherent in the program. If we do that, we will have certainty in the program and the lowest interest rate that would generally be available in this society.

If we started with a blank sheet of paper and said: We want the Federal Government to provide loans to students, I believe we would end up where this plan has ended up. It is where the President ended up, it is where the House has ended up, and I think we have an opportunity. The question is, Should we extend this for 1 year and take more time? I am new, but I stood here during the debates on the sequester, where both parties put forward their proposals, neither party got the votes, and we ended up with a sequester.

We said the exact same thing with student loans about 1 month ago. Each party put forward their proposal, neither party got their votes, and here we are just about at the deadline and the rates are going to double for those subsidized Stafford loans.

I don't know what we are going to know 1 year from now that we don't